



Making multinational matter

Globalization is critical to media and entertainment (M&E) companies looking to build scale, open new markets and remain competitive. Although we see the rise of economic nationalism and the prospect of higher trade barriers, at the same time a suite of enabling digital technologies is rendering borders less relevant. Today's M&E companies must be more open than ever to the opportunities of growing their international operations.

Finding the optimal business model, operating structure and go-to-market strategy for international growth requires nuance. In a survey of M&E executives, the top markets for investment were identified as China, the US and the UK. Each market illustrates the need for a distinctive approach.

Why international matters

That China remains the most attractive destination is unsurprising. Aside from a maturing population of increasingly affluent and well-educated digital natives, China's combination of scale and growth continues to impress. Advertising is forecast to grow 7% per annum over the next five years, topping \$80 billion by 2021.¹ From a transaction perspective, the rapidly maturing corporate culture in China is driving more varied investments and dealmaking – in particular, a large increase in domestic combinations, divestitures and strategic restructuring.

Conversely, the US and the UK are more established media markets with alternative drivers. The improving outlook in the world's biggest economy and its established track record in innovation are primary factors for investment into the US. As for the UK, the uncertainty around Brexit cannot distract from the UK as a powerhouse of intellectual property, a

favorable licensing environment and an established pool for talent and expertise.

The changing relationship

In recent years, the most eye-catching routes to globalization have been the scale-up of over-the-top (OTT) businesses. Their exploitation of digital distribution has become something of a blueprint for global growth.

The latest wave of globalization is often portrayed as a linear land grab and yet it is far more episodic – evolving as companies and markets mature. Initially, we saw the new breed of global entrants leaning on local partners. It may have been for local market knowledge and expertise, but it was also for access to key assets such as content and infrastructure. In many cases, this was a symbiotic relationship that allowed new entrants to grow while incumbents enjoyed new monetization for old products and assets.

Today, many of these global brands have established footholds in multiple markets and are heavily investing in proprietary content. Their model and their relationships with local partners have changed. Audience share might still be relatively low, but they have built powerful local presences, and expanded their customer base and their levels of investment, all of which makes

them more competitive and less dependent on local partners.

A multinational mindset?

In reality, the assumption that digital technology eases routes to market actually oversimplifies the challenges of execution. Realizing the opportunities of global growth requires a mix of skills.

More than ever, those M&E companies with global aspirations need to find their place in the ecosystem alongside local partners. They need to ensure that they balance global perspectives with local expertise and understanding. For example, across Europe, new rules are being introduced to elevate the importance of local content – by 2021 regulation in Italy will raise the requirement for local content in a catalogue to 60%. As markets adapt, so too will the ecosystem and so too must the players within it.

1. "Global Advertising Forecast", MagnaGlobal, June 2017.



About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 EYGM Limited.
All Rights Reserved.

EYG no. 01339-184GBL

ED None

 In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting tax or other professional advice. Please refer to your advisors for specific advice.

ey.com/mediaentertainment

EY Global Media & Entertainment Leaders



John Harrison
Global M&E Sector Leader
john.harrison@ey.com
+1 212 773 6122



Janet Balis
Global M&E Advisory Leader
janet.balis@ey.com
+1 212 773 1422



Ian Eddleston
Global M&E Assurance Leader
ian.eddleston@ey.com
+1 213 977 3304



Will Fisher
Global M&E TAS Leader
wfisher@uk.ey.com
+44 20 7951 0432



Alan Luchs
Global M&E Tax Leader
alan.luchs@ey.com
+1 212 773 4380



Martyn Whistler
Global M&E Lead Analyst
mwhistler@uk.ey.com
+44 20 7980 0654